STATE COPY



VILLAGE OF MONTGOMERY

Hillsdale County, Michigan 30-3040

FINANCIAL STATEMENTS



AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory. County HILLSDAL E Local Government Name Local Government Type MONTGOMERY VILLAGE OF ✓ Village City Township Date Accountant Report Submitted to State: Opinion Date **Audit Date** クーノラ We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury. RECEIVED We affirm that: 1. We have complied with the Bulletin for the Audits of Local Units of Government in Michigan as revised. AUG 3 n 2004 2. We are certified public accountants registered to practice in Michigan. We further affirm the following. "Yes" responses have been disclosed in the finance abstatements, findly the notes, or in the report of comments and recommendations You must check the applicable box for each item below. 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. yes 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year yes 📝 no earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). Not To Be We have enclosed the following: Required **Enclosed** Forwarded P614 The letter of comments and recommendations. Reports on individual federal financial assistance programs (program audits). Single Audit Reports (ASLGU). Countant (Firm Name) BERTHIAUME & COMPANY CPAS

(60 HARROW LANE

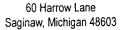
City SAGINAN

State

M. Certified Public Accountant (Firm Name) ZIP48603 Street Address Accountant Signature

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INDEPENDENT AUDITORS' REPORT

Members of the Village Council Village of Montgomery Hillsdale County, Michigan

We have audited the accompanying general purpose financial statements of the Village of Montgomery, Michigan as of and for the year ended February 29, 2004, as listed in the table of contents. These financial statements are the responsibility of the Village management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Village has not maintained a record of its general fixed assets, and accordingly a statement of general fixed assets, required by accounting principles generally accepted in the United States of America, is not included in the financial report.

In our opinion, except as stated above, based on our audit, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Village of Montgomery at February 29, 2004, and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. Supplemental information data listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the Village of Montgomery, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements, and in our opinion, the information is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

July 15, 2004

Berthiaume & Co.

ALL FUND TYPES

COMBINED BALANCE SHEET

			Totals			
		<u>FUND</u> General			(Memorandum Only)	
ASSETS:						
Cash and equivalents	\$	184,272	\$	135,210	\$	319,482
Taxes receivable		4,765		- 22.712		4,765
Due from other governmental units		19,810		22,713		42,523
Total assets	\$	208,847	\$	157,923	\$	366,770
LIABILITIES AND FUND EQUITY: Liabilities:	\$					
Accounts payable	<u></u>	-	\$	1	\$	1
Total liabilities		-	\$	1	\$	1
	<u>-</u>	<u>-</u> -	\$		-	10.752
Total liabilities Fund Balance: Designated for truck purchase		- 208 847	\$	10,752		10,752 356 017
Total liabilities Fund Balance: Designated for truck purchase Unreserved	<u>-</u>	208,847	\$	10,752 147,170		356,017
Total liabilities Fund Balance: Designated for truck purchase		208,847 208,847 208,847	\$ 	10,752		,

ALL GOVERNMENTAL FUND TYPES

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended February 29, 2004

	GOVERNMENTAL FUND TYPES					Totals
		General		Special Revenue	(Mem	orandum Only)
REVENUES: Property taxes Licenses and permits	\$	28,600 11	\$	13,179	\$	41,779 11
Intergovernmental: State grants		41,193		52,233 2,500		93,426 2,500
Contributions from other units Charges for services Interest and rentals		- 9,377		1,600 1,167		1,600 10,544
Other revenue		185 79,366		1,144 71,823		1,329
Total revenues		77,300				
EXPENDITURES: General government		28,371		-		28,371
Public safety Public works		9,403		35,798 35,856		35,798 45,259 3,572
Recreation and culture Capital outlay		3,572 4,166		_		4,166
Total expenditures		45,512		71,654		117,166
Excess of revenues over (under) expenditures		33,854		169		34,023
OTHER FINANCING SOURCES (USES):				20.000		20,000
Transfers from other funds Transfers to other funds		(20,000)		20,000		(20,000)
Total other financing sources (uses)		(20,000)		20,000		
Excess of revenues and other financing sources over (under) expenditures and other financing uses		13,854		20,169	•	34,023
Fund balances, beginning of year		194,993		137,753		332,746
Fund balances, end of year	\$	208,847	\$	157,922	\$	366,769

The accompanying notes are an integral part of these financial statements.

ALL GOVERNMENTAL FUND TYPES

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

Year Ended February 29, 2004

REVENUES: Taxes Licenses and permits Intergovernmental: State grants Contributions from other units Charges for services	5,150 -		RAL FU Actual 28,600 11	Va Fa	riance vorable avorable) 23,450		Budget	A	lctual (Un	Fav	riance orable orable)
REVENUES: Taxes \$ Licenses and permits Intergovernmental: State grants Contributions from other units	5,150 - 30,500		28,600	(Unfa	avorable)			A			
REVENUES: Taxes \$ Licenses and permits Intergovernmental: State grants Contributions from other units	5,150 - 30,500		28,600							/	
Taxes \$ Licenses and permits Intergovernmental: State grants Contributions from other units	30,500	\$	•	\$	22.450	æ					
Licenses and permits Intergovernmental: State grants Contributions from other units	30,500	Ð	•		/ 4 4 711		10,000	\$	13,179	\$	3,179
Intergovernmental: State grants Contributions from other units			11	•	11	•	-	_	_		· -
State grants Contributions from other units			• •								
Contributions from other units	(000		41,193		10,693		40,000		52,233		12,233
	6,000		-		(6,000)		5,000		2,500		(2,500)
CHAIRCO TOT DOT TROOP	-		-				2,000		1,600		(400) 317
Interest and rentals	775		9,377		8,602		850		1,167 1,144		1,144
Other revenue	-		185		185						
Total revenues	42,425		79,366		36,941		57,850		71,823		13,973
EXPENDITURES:											
General government	37,100		28,371		8,729		<u>-</u>		-		16.763
Public safety	•		-		-		51,550		35,798		15,752
Public works	28,000		9,403		18,597		113,800		35,856		77,944
Recreation and culture	5,050		3,572		1,478		-		_		_
Other	10,000		4 166		10,000 1,834		-		_		_
Capital outlay	6,000		4,166				165.250		71.654		93,696
Total expenditures	86,150		45,512		40,638		165,350		71,654		93,090
Excess of revenues over					55.55 0		(107 500)		169		107,669
(under) expenditures	(43,725)		33,854		77,579		(107,500)		109	-	107,007
OTHER FINANCING											
SOURCES (USES):					_		27,500		20,000		(7,500)
Transfers from other funds	(20,000)		(20,000	`	_		(7,500)		,		7,500
Transfers to other funds	(20,000)		(20,000	<u>/</u>			(7,5-5-7)				
Total other financing	(20,000)		(20,000)	-		20,000		20,000		
sources (uses)	(20,000)		(==,===	/							
Excess of revenues and other financing sources over (under)											
expenditures and other financing					== ===		(07.500)		20 160		107,669
uses	(63,725)		13,854	ļ	77,579		(87,500)		20,169		107,009
Fund balances, beginning of year	194,993		194,993	·			137,753		137,753		-
	131,268	\$	208,847	\$	77,579	\$	50,253	\$	157,922	\$	107,669

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

February 29, 2004

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Village of Montgomery comprises an area of one square mile with a population of approximately 400. The Village is governed by a nine member council with a mayor as its head.

THE REPORTING ENTITY:

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the Village (the primary government) and its component units, if any. The Village has no component units and accordingly, the Village has not consolidated any entities into its general purpose financial statements.

BASIS OF PRESENTATION:

The accounts of the Village are organized on the basis of funds each of which is considered a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, fund balance, retained earnings, revenues, and expenditures, or expenses, as appropriate. The various funds are grouped as follows in the financial statements.

Governmental Funds:

- General Fund This fund is used to account for all financial transactions except those accounted for in another fund. Revenues are derived primarily from property taxes, state distributions, and other intergovernmental revenues. Expenditures include the general operations of the Village.
- Special Revenue Funds These funds are used to account for specific governmental revenues (other than special assessments and major capital projects) that are legally restricted to expenditures for specific purposes.

BASIS OF ACCOUNTING:

The accounting policies of the Village of Montgomery conform to accounting principles generally accepted in the United States of America, including pronouncements of the GASB as applicable to governmental units. The basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers revenues as available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred.

NOTES TO FINANCIAL STATEMENTS (continued)

February 29, 2004

BASIS OF ACCOUNTING, continued:

Those revenues susceptible to accrual are property taxes, franchise taxes, special assessments, licenses, interest revenue, and charges for services. Sales tax collected and held by the State at year end on behalf of the government is also recognized as revenue. Fines and permits revenues are not susceptible to accrual because generally they are not measurable until received in cash.

BUDGETS AND BUDGETARY ACCOUNTING:

The following procedures are followed in establishing the budgetary data reflected in these general purpose financial statements:

- 1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Village Board for consideration.
- 2. The proposed budgets include expenditures as well as the methods of financing them.
- 3. Public hearings are held to obtain taxpayer comments.
- 4. The budgets are adopted by a majority vote of the Village Board.
- 5. The budgets are adopted on the modified accrual basis of accounting.
- 6. The originally adopted budgets can be amended during the year only by a majority vote of the Village Board.
- 7. The adopted budgets are used as a management control device during the year for all budgetary funds.
- 8. Budget appropriations lapse at the end of each fiscal year.
- 9. The budgeted amounts shown in these general purpose financial statements are the originally adopted budgets with all amendments that were approved by the Village Board during the fiscal year.

During the year ended February 29, 2004, the Village incurred no expenditures in budgetary funds which were in excess of the amount appropriated.

DEPOSITS AND INVESTMENTS:

Cash and cash equivalents consist of demand deposits, savings accounts, certificates of deposits, and other investments, if any, with a maturity date of purchase of ninety days or less. Investments are stated at fair value.

RECEIVABLES:

Receivables have been recognized for all significant amounts due the Village. Valuation reserves have not been provided in that collection thereof is not considered doubtful.

PROPERTY TAXES:

Village property taxes, levied on July 1 on assessed valuation as of the proceeding December 31, which are due and payable July 1, are recognized when levied. Delinquent real property taxes not collected are purchased by Hillsdale County; therefore, all delinquent real property taxes are recognized as revenue in the fiscal year corresponding to the year the current taxes are recognized as revenue. Delinquent personal property taxes are immaterial.

NOTES TO FINANCIAL STATEMENTS (continued)

February 29, 2004

FUND EQUITY:

Governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative council plans that are subject to change. At February 29, 2004, the fire fund had a balance of \$10,752 designated for the purchase of a truck.

ENCUMBRANCES:

Encumbrances involving the current recognition of purchase orders, contracts, and other commitments for future expenditures are not recorded.

TOTAL COLUMNS ON COMBINED STATEMENTS:

Total columns on the combined statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns does not present financial position, results of operations, or changes in financial position in conformity with accounting principles generally accepted in the United States of America. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

FUTURE CHANGES IN ACCOUNTING STANDARDS:

The Governmental Accounting Standards Board has issued Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. This new reporting standard will impact the Village's revenue and expenditure recognition and assets, liabilities and fund equity reporting. The new standard will also require reformatting of the financial statements and restating beginning balances. The Village is required to implement the new reporting model for the fiscal year ending February 28, 2005. Due to the significance of the changes required, it is not possible to present pro-forma data prior to implementation.

NOTE 2: DEPOSITS AND INVESTMENTS

The Village's deposits and investments at February 29, 2004 are included on the balance sheet under the following classifications:

•	Cash ana
	Cash
	Equivalents
Deposits - Bank Investments - certificates of deposit	\$ 288,982 30,500
Total deposits and investments	\$ 319,482

NOTES TO FINANCIAL STATEMENTS (continued)

February 29, 2004

DEPOSITS

The carrying amount of the Village's deposits with financial institutions was \$319,482 and the bank balance was \$331,044. The bank balance is categorized as follows:

Amount insured by the FDIC Uncollateralized and uninsured	\$ 216,127 114,917
Total bank balance	\$ 331,044

NOTE 3: PROPERTY TAXES

The Village tax levy for the year was based on total assessed property value (taxable value) of \$3,549,744. The millage rate was 8.0541 operating mills. The total Village tax levy was \$28,600.

Taxes receivable of \$4,765 is the delinquent 2003 Village levy, which was returned to the County Treasurer.

The Village has an agreement with Camden Township wherein it is to receive one half of the Township fire millage for fire protection service to the Township. During the year ended February 29, 2004 the Village received \$13,179 from the Township for the 2003 millage.

NOTE 4: RISK MANAGEMENT

The Village is exposed to various risks of loss related to property loss, torts; errors, omissions, and employee injuries (workers' compensation). The Village has purchased commercial insurance to cover any potential claims associated with these risks and has had no claims that exceeded the insurance coverage in any of the past three fiscal years.

NOTE 5: POST-EMPLOYMENT BENEFITS

The Village currently has no pension or post-employment benefit programs for employees.



GENERAL FUND

STATEMENT OF REVENUES

REVENUES:	
Current Taxes:	\$ 28,600
Property taxes	28,600
Licenses and Permits: Nonbusiness licenses and permits CATV franchise fees	10 1 1
State Grants: State revenue sharing	41,193
Interest and Rents: Interest earned Rent of equipment	1,026 8,351 9,377
Other Revenue: Reimbursements Miscellaneous/other	50 135 185
Total revenues	\$ 79,366

GENERAL FUND

STATEMENT OF EXPENDITURES

Year Ended February 29, 2004

EXPENDITURES

General Government:

Insurance

Contracted services

Total general government

Utilities

Attorney:

Council:	\$ 4,492
Personnel	1,204
Fringe benefits	5,696
President:	1.770
Personnel	1,770
	1,770
Clerk:	4,870
Personnel	448
Supplies	68
Mileage/auto	5,386
Treasurer:	
Personnel	3,270
Supplies	183
Contracted services	138
Mileage/auto	122
Minagoratio	3,713
Elections:	372
Personnel	608
Supplies	68
Contracted services	186
Printing and publications	1,234
Building and Grounds:	1,786
Personnel	1,107
Supplies	677
Dues and memberships	6,171
Incurance	

581

250

250

28,371

10,322

GENERAL FUND

STATEMENT OF EXPENDITURES, continued

Year Ended February 29, 2004

EXPENDITURES, continued

Public Works:	
Department of Public Works:	69
Personnel	
	69
Street Lighting:	3,976
Utilities	
	3,976
Sanitation:	2,084
Contracted services	
	2,084
Construction/Improvement/Capital Outlay:	32
Personnel	966
Supplies	2,276
Repairs and maintenance	3,274
Total public works	9,403
Recreation and Culture:	
Parks and Recreation:	1,941
Personnel	256
Supplies	576
Insurance	180
Utilities Repairs and maintenance	150
Repairs and manifestance	3,103
Library:	400
Insurance Utilities	69
Oundes	469
Total recreation and culture	3,572

GENERAL FUND

STATEMENT OF EXPENDITURES, continued

Year Ended February 29, 2004

EXPENDITURES, continued

Capital Outlay:

General Government: Building and grounds	3,946
Bullding and grounds	3,946
Recreation and Culture:	220
Parks and recreation	220
Total capital outlay	4,166
Total expenditures	45,512
OTHER FINANCING USES	
Transfers to fire fund	20,000
Total other financing uses	20,000
Total expenditures and other financing uses	\$ 65,512

SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEET

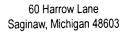
		Major Street Fund	Local Street Fund	Fire Fund	Totals	
ASSETS: Cash and equivalents Due from other government units	\$	70,922 7,136	\$ 40,392 2,398	\$ 23,896 13,179	\$	135,210 22,713
Total assets	\$	78,058	 42,790	\$ 37,075	\$	157,923
LIABILITIES AND FUND BALANCE: Liabilities: Accounts payable Total liabilities	\$		\$ <u>-</u>	\$ 1	\$	1 1
Fund Balance: Designated Unreserved Total fund balance		78,058 78,058	42,790 42,790	10,752 26,322 37,074		10,752 147,170 157,922
Total liabilities and fund balance	\$	78,058	\$ 42,790	\$ 37,075	\$	157,923

SPECIAL REVENUE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended February 29, 2004

	S	Iajor Itreet Fund	,	Local Street Fund		Fire Fund		Totals
REVENUES:					Ф	12 170	\$	12 170
Property taxes	\$	-	\$	-	\$	13,179	Ф	13,179
Intergovernmental: State grants		38,463		12,870		900		52,233
Contributions from other units		-		-		2,500		2,500
Charges for services		-		<u>-</u>		1,600		1,600
Interest and rentals		787		287		93		1,167 1,144
Other revenue						1,144		
Total revenues		39,250		13,157		19,416		71,823
EXPENDITURES:								
Public safety		-		-		35,798		35,798
Public works		20,548		15,308				35,856
Total expenditures		20,548		15,308		35,798		71,654
Excess revenues over (under) expenditures	<u></u>	18,702		(2,151)		(16,382)		169
OTHER FINANCING SOURCES (USES):								
Transfers from general fund				-		20,000		20,000
Total other financing sources (uses)		-		-		20,000		20,000
Excess revenues and other financing sources over (under) expenditures and other financing uses		18,702		(2,151)		3,618		20,169
Fund balances, beginning of year		59,356		44,941		33,456		137,753
Fund balances, end of year	\$	78,058	\$	42,790	\$	37,074	\$	157,922



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MANAGEMENT LETTER

Members of the Village Council Village of Montgomery Hillsdale County, Michigan

We have completed our audit of the financial statements of the Village of Montgomery for the year ended February 29, 2004, and have issued our report thereon dated July 15, 2004. As part of our examination, we made a study and evaluation of the Village's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of our study and evaluation was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the Village's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

The Village's administration is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by the administration are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide the administration with reasonable, but not absolute assurance that assets are safeguarded against unauthorized use or disposition and that transactions are executed in accordance with the administration's authorization and recorded properly to permit the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may, nevertheless, occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or the degree of compliance with the procedures may deteriorate.

Our study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of the Village of Montgomery taken as a whole. Our study and evaluation disclosed no conditions that we believe to be material weaknesses.

This report is intended solely for the use of the Village management and should not be used for any other purpose.

We wish to extend our appreciation to you and your staff for the assistance accorded us during our examination.

Berthiaume & Company Certified Public Accountants

Borthiaune & Co.

July 15, 2004